

Message Text

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SUBJ: YUGOSLAV ECONOMIC RELATIONS WITH THE US AND THE EEC

REF: BRUSSELS 0794

1. WE WELCOME EXPLORATION OF SUBJECT WHICH MISSION SUGGESTS
IN REFTTEL AND STRONGLY SUPPORT THE DEVELOPMENT OF A
COMMON US-EC APPROACH TO YUGOSLAVIA, OR AT LEAST THE INITIATION
OF A WIDER RANGE OF COSULTATIONS. THERE ARE CERTAINLY A
NUMBER OF ISSUES ON WHICH WE CAN BOTH NUDGE THE YUGOSLAVS
TO FACILITATE ECONOMIC RELATIONS.THE MOST IMPORTANT OF
WHICH, IN OUR OPINION, ARE LISTED BELOW. AT THIS STAGE OUR
APPROACH WOULD PROBABLY BE BEST HANDLED ON A PARALLEL
BASIS, TAKING INTO ACCOUNT THE PROPABLE SENSITIVITY OF
BOTH THE EC AND THE YUGOSLAV (IF THEY PERCEIVED IT) TO A
FORMALIZED JOINT EFFORT. WE COULD INDICATE TO THE EC
THAT WE CONSIDER DISCUSSION OF THESE ISSUES WITH YUGOSLAV
TO BE IN THE GENERAL WESTERN INTEREST: THAT WE INTEND TO
BRING THEM UP ON OUR SIDE AT AN APPROPRIATE
TIME- PERHAPS AS AN AGENDA ITEM FOR A POSSIBLE
US-YUGOSLAV JOINT BODY: AND THAT IF THE EC FINDS THE
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IDEA OF DISCUSSING THESE ISSUES HAS MERIT, IT PURSUE
THEM IN ITS UPCOMING NEGOTIATIONS.

2. CURRENT MAJOR AREAS OF CONCERN AS WE SEE THEM ARE:
A) BUSINESS OFFICES: CURRENT YUGOSLAV LEGISLATION
PLACES SEVERE LIMITATIONS ON THE TYPES OF OFFICES THAT
CAN BE OPENED IN YUGOSLAVIA AND ON THEIR ACTIVITIES. THE

PRINCIPAL REQUIREMENT IS A PROVEN RECORD OF EXPORT ACTIVITY. WE SEEK RECIPROCITY -- THAT OUR BUSINESSMEN HAVE THE SAME OPPORTUNITIES TO OPEN AND OPERATE IN YUGOSLAVIA AS THE YUGOSLAVS ENJOY IN THE US.

B) JOINT VENTURES: WHILE NEW LEGISLATION IS EXPECTED SHORTLY, THERE ARE CERTAIN CONCEPTS PRESENT IN THE CURRENT LAW THAT WILL ALMOST CERTAINLY BE STRENGTHENED OR MAINTAINED IN ANY NEW LEGISLATION AS WELL. PARTICULARLY UNATTRACTIVE FEATURES TO WESTERN INVESTORS ARE THE REQUIREMENTS TO EARN HARD CURRENCY DOLLARS FOR ALL PROFIT REPATRIATION BY EXPORTING; LIMITATIONS ON THE PERCENTAGE OF HARD CURRENCY WHICH CAN BE USED FOR PROFIT REPATRIATION; LACK OF CLARITY RE FOREIGN MANAGEMENT AUTHORITY AND INFLUENCE IN OPERATIONS; AND UNCLEAR REGULATIONS.

C) TRADEMARK ISSUE: A RECENT YUGOSLAV LAW ON TRADEMARKS IS BEING INTERPRETED BY YUGOSLAV AUTHORITIES TO REQUIRE THAT THE CONTRACTING YUGOSLAV ENTERPRISE IN SUCH AN AGREEMENT ACQUIRES FULL, WORLD-WIDE OWNERSHIP OF THE TRADEMARK. CONSEQUENTLY, WESTERN COMPANIES ARE CURRENTLY UNWILLING TO ENTER INTO SUCH ARRANGEMENTS. PERHAPS EVEN MORE DISAPPOINTING IS THE UNRESPONSIVE ATTITUDE OF THE YUGOSLAV GOVERNMENT TO EMBASSY AND BUSINESS REQUESTS FOR CLARIFICATION OF THE LAW.

D) GENERALLY IMPROVED BUSINESS CONDITIONS: FOR A NUMBER OF REASONS, IT IS VERY DIFFICULT FOR A FOREIGN BUSINESSMAN TO ESTABLISH HIMSELF IN YUGOSLAVIA AND TO BE EFFECTIVE.
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THESE INCLUDE DIFFICULTIES IN OBTAINING OFFICE SPACE AND LIVING QUARTERS, IMPORT PROBLEMS, AND A GENERAL LACK OF NEEDED BUSINESS INFORMATION. MANY FUNDAMENTAL ECONOMIC ISSUES SUCH AS COUNTER-TRADE REQUIREMENTS, IMPORT RESTRICTIONS, AND INVESTMENT PROJECT PRIORITIES ARE SIMPLY NOT CLEARLY DEFINED. AS A RESULT THE FOREIGN BUSINESSMAN IS UNSURE OF HIS OWN POSSIBILITIES AND OPPORTUNITIES IN YUGOSLAVIA. TRANSLATIONS OF SUBSTANTIVE LAWS INTO THE MAJOR LANGUAGES WOULD ALSO BE VERY WORTHWHILE.
EAGLEBURGER

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